



MORNING REPORT

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Web: www.equity.co.nz / E-mail: Info@equity.co.nz / Tel: +64 (9)304 0145 / Address: Level 7, 12-26 Swanson Street, Auckland, NZ

Top News

RBNZ Slashes Rates in Emergency Move to Support Economy

New Zealand's central bank slashed its benchmark interest rate by 75 basis points as strict border controls to curb the coronavirus look set to tip the economy into recession.

In an emergency move early Monday in Wellington, the Reserve Bank cut its official cash rate to 0.25% from 1% and said it will remain at that level for at least the next 12 months. It has also delayed the start date for increased capital requirements for banks by 12 months to July 2021 to help support lending, estimating this will enable banks to supply about NZ\$47 billion (\$28 billion) more than would have been the case. Governor Adrian Orr will hold a press conference at 11 a.m. The impact of the virus on the economy will be significant, the RBNZ said in a statement.

"Demand for New Zealand's goods and services will be constrained, as will domestic production. Spending and investment will be subdued for an extended period while the responses to the COVID-19 virus evolve," it said. "The Government is operating an expansionary fiscal policy and has imminent intentions to increase its support with a fiscal package to provide both targeted and broad-based economic stimulus," it added.

Over the weekend, the government introduced what it said were some of the most severe measures by a nation to control the spread of the coronavirus. It said almost every individual who enters New Zealand, including citizens and residents, will be required to self-isolate for 14 days. Private sector economists expect the measures to tip the economy into recession.

The RBNZ said that, "should further stimulus be required, a Large Scale Asset Purchase program of New Zealand government bonds would be preferable to further OCR reductions." The New Zealand dollar fell below 60 U.S. cents for the first time since 2009 in early Monday trading. It bought 59.79 cents at 8:58 a.m. in Wellington after closing above 60 cents last week.

"The commitment to hold the OCR down and signal bond purchases should help to suppress long-term interest rates," said Nick Tuffley, chief economist at ASB Bank in Auckland. "The RBNZ looks set to explore unconventional tools rather than to test the limits of the OCR. There will be considerable inter-play between monetary and fiscal policy. The government will be borrowing heavily to support the economy, and the RBNZ can effectively provide the funding."

The RBNZ said its policy committee met Sunday and was briefed by the Treasury Secretary on the government's intended fiscal policy measures. Finance Minister Grant Robertson is due to make an announcement on Tuesday. The RBNZ's scheduled rate review on March 25 has been canceled.

The RBNZ in December said it would require banks to increase capital buffers over a seven-year period to better withstand economic shocks, with the transition to start in July 2020. Today it delayed that start for a year.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,625.50	543.34	▼ 4.86%
S&P/NZX 50 Portfolio Index	5,887.67	331.41	▼ 5.33%
S&P/NZX MidCap Index	26,390.81	1,846.00	▼ 6.54%
S&P/NZX SmallCap Index	52,154.22	2,540.00	▼ 4.65%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	5,590.70	219.80	▲ 4.09%
S&P/ASX 200	5,539.30	234.70	▲ 4.42%
ASX Small Ordinaries	2,283.20	40.80	▲ 1.82%
S&P/ASX MIDCAP 50	5,780.70	131.50	▲ 2.33%
S&P/ASX 20	3,104.40	150.10	▲ 5.08%

Foreign Markets Index			
	Last	Change	
S&P 500	2,711.02	230.38	▲ 9.29%
Dow Jones Industrial Average	23,185.62	1,985.02	▲ 9.36%
NASDAQ Composite	7,874.88	673.08	▲ 9.35%
DAX PERFORMANCE-INDEX	9,232.08	70.95	▲ 0.77%
ASX All Ordinaries	5,590.70	219.80	▲ 4.09%
NIKKEI 225	17,431.05	1,128.55	▼ 6.08%
HANG SENG INDEX	24,032.91	276.19	▼ 1.14%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9762	0.0036	▼ 0.37%
USD	0.5985	0.0075	▼ 1.25%
CNY	4.1950	0.0400	▼ 0.95%
EUR	0.5413	0.0042	▼ 0.78%
CAD	0.8313	0.0049	▼ 0.59%
GBP	0.4877	0.0058	▼ 1.19%
JPY	64.1130	1.2790	▼ 1.99%

NZ Interest Rates		
	Last	Change
NZ OCR	1.00	
3m Bank Bill	0.65	
5y Swap	0.89	
10y Swap	1.17	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,528.90	12.20	▲ 0.80%
Silver	14.69	0.19	▲ 1.28%
Crude Oil	32.93	1.20	▲ 3.78%

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www.equity.co.nz E-mail: Info@equity.co.nz

Contact Equity Investment Advisers today.
Tel: +64 (9)304 0145 / NZ: 0800 474 669